

Amendments to HB764
Prepared by the State Auditor's Office

Amend title, line 7 through line 8
Following: "SALES PRACTICES"
Strike: "ON A MILITARY INSTALLATION"
Insert: "LOCATED"

Amend title, line 12
Following: "PRODUCT"
Strike: "ON A MILITARY INSTALLATION"
Insert: "TO MEMBERS OF THE ARMED FORCES"

Page 2, line 7 through line 8
Strike: "while on a military installation in this state"

Page 2, line 12
Strike: "on a military installation"
Insert: "to members of the armed forces"

Page 2, line 16
Strike: "on a military installation"
Insert: "located"

Page 2, line 19
Strike: "on a military installation"
Insert: "to members of the armed forces"

Page 2, line 22
Strike: "on a military installation"
Insert: "to members of the armed forces"

Page 2, line 27
Strike: "while on a military installation"



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

**EXECUTIVE
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February 20, 2007

John Morrison
State Auditor, Commissioner of Insurance and Securities
State Auditor's Office
840 Helena Avenue
Helena, Montana 59601

Re: Sales of Life Insurance to Military Personnel

**GOVERNMENT
RELATIONS**

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Dear Commissioner Morrison,

I write to review for you the activities of state insurance officials to protect military personnel from abusive life insurance sales practices and products and to clarify key elements of the proposed model regulations. On September 29, 2007, President George Bush signed S. 418, the Military Personnel Financial Services Protection Act ("Act"), Public Law 109-290 (2006), which clarified the application of state insurance protections to insurance activities conducted on military installations, outlawed the sale of certain high-cost insurance products for military personnel, and called on state insurance commissioners to implement appropriate standards to protect military personnel from inappropriate life insurance products and predatory sales practices.

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The Act specifically calls on the states by March 29, 2007, to submit a report on ways to improve the quality and sale of life insurance products sold on military installations, including creating standards for products specifically designed to meet the needs of military personnel, regardless of where the product is sold. The Act also asks the states to conduct a study to determine the extent to which life insurance products sold to members of the Armed Forces comply with existing state law. Finally, the Act calls on states to work collectively with the Department of Defense to ensure implementation of the appropriate standards to protect military personnel from dishonest and predatory insurance sales practices. The NAIC was specifically requested to conduct a study by September 29, 2007, to determine the extent to which states have developed and implemented the protections for military personnel.

**WORLD
WIDE WEB**

www.naic.org

Immediately after the Act was signed into law, the NAIC establish a special Military Life Working Group to carry out the provisions of the Act, including to report on appropriate protections for military personnel and to oversee state implementation of these protections. The Working Group has produced a draft

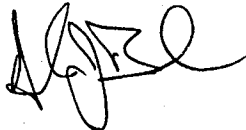
model regulation and is in the process of accepting and reviewing public comment to fine tune the model regulation. Although many state insurance commissioners have rulemaking authority under their unfair and deceptive trade practices laws to issue regulations to protect military personnel, the Working Group also encouraged commissioners that did not have this authority to seek this authority from their respective state legislature so as to have the authority to issue the uniform protections for military personnel once they are final.

The NAIC understands that the Montana State Legislature is considering such authorizing legislation that would restrict the application of the protections for military personnel to the confines of a military base. The Working Group draft regulation does not take this approach primarily because it threatens to create a significant consumer protection loophole that could result in different consumer protections being offered to military personnel based only on whether the soldier is on the military installation when the sale is made. In fact, Congress was clear that improvements in the quality and sale of life insurance products should include standards specifically designed to meet the particular needs of members of the Armed Forces, "regardless of the sales location" [S.418 at §11 (a)(1)(B)].

The Working Group has concluded that, in order to effectively protect military personnel and to implement the intent of the federal Act, it is critical that states authorize insurance commissioners to apply and enforce protections both on and off military installations and not limit the scope of such protections to certain locations.

Thank you for the opportunity to comment on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Beal', with a stylized flourish at the end.

Andrew J. Beal
Deputy Executive Vice President and Chief Legal Officer